



”Grow,dammit, grow!” – reflections in times of real crisis

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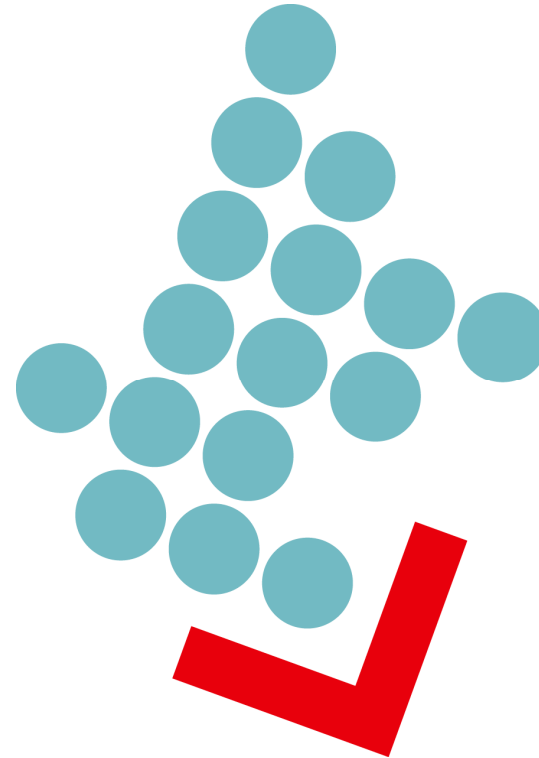
Conference

”New Growth creating Real Value”

27 October 2010

Friedrich Ebert Stiftung/

Arenagruppen





One view: "The crisis was too short!"

> Financial markets actors' perspective:

-too short crisis to create pressure for deeper financial reform

- (almost) back to normal for many market actors

-Dangerous situation: boards may pay too little attention to excessive risk taking, and regulators resist decision-making on new laws and enforcement

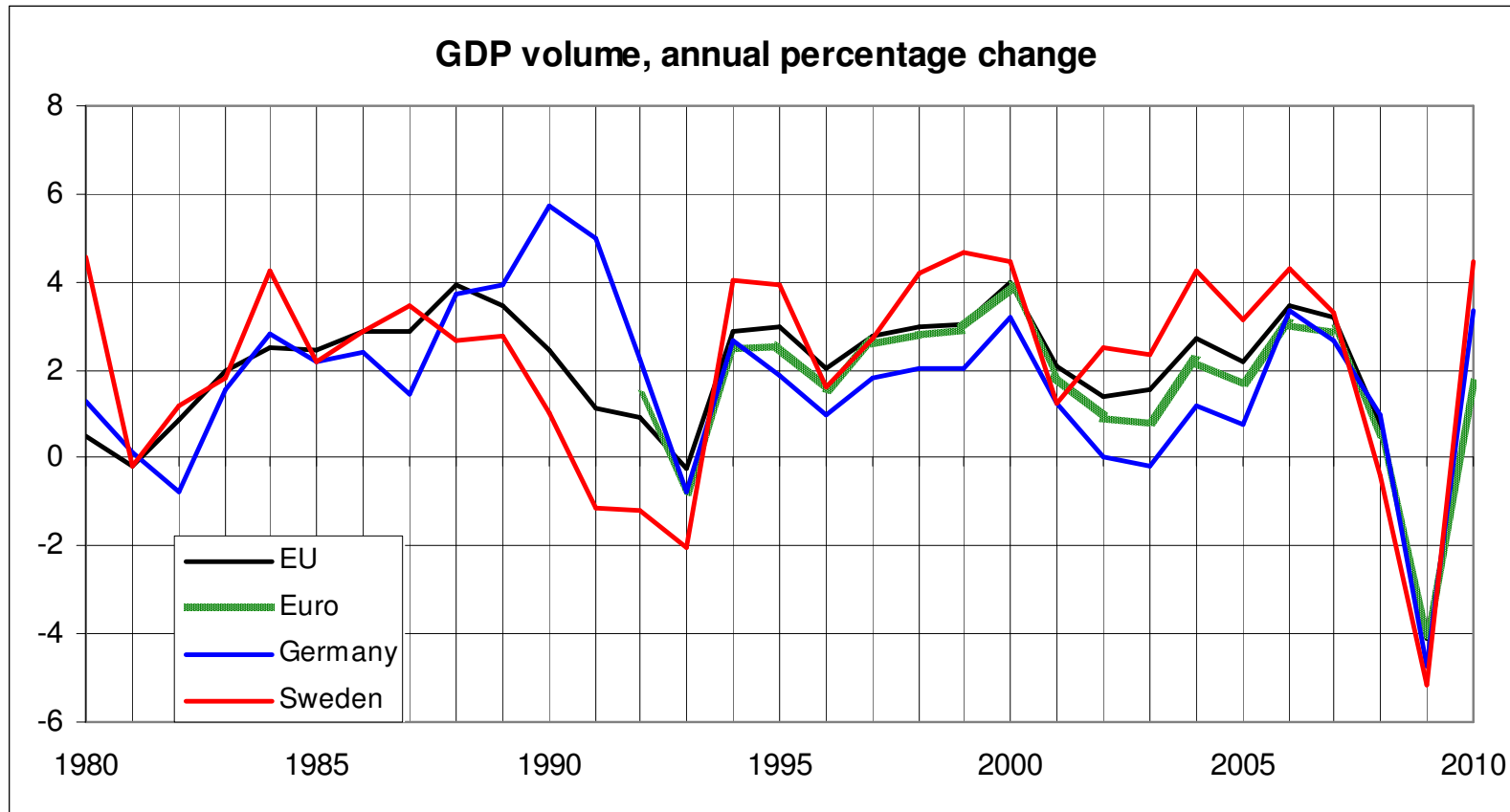


My view: The crisis will be too long!

- >Austerity policies very harsh - some also highly unlikely to succeed
- >Countries with possibilities to expand more – e.g. Sweden, do not opt for such policies
- >Growth rates will slow, but if productivity is promoted more - real value will be created
- >Worry about productivity – austerity reduces educational spending medium-term



REAL crisis: Growth rates 1980-2010



Source: IMF database



Sweden - growth rates pick-up, sustainability uncertain

>Late 1980s – credit bubble linked to real estate -
Asset bubble crisis and currency crisis the result

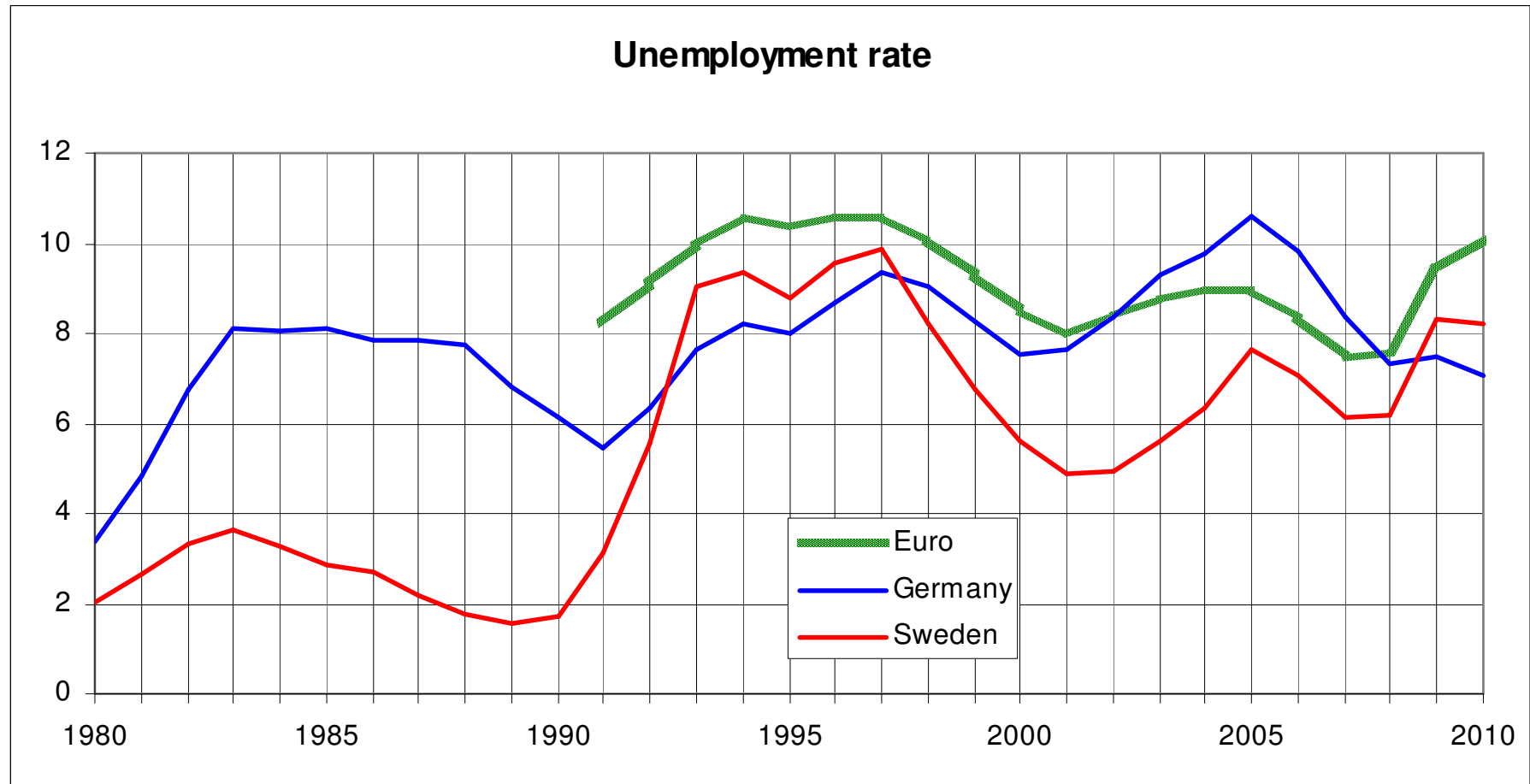
>1990s –

-negative growth 3 years, catch-up effect strong,
technological progress (ICT) , some persistent
unemployment scars

>2000s – Growth rates pre-2009 may be fuelled by
excessive credit expansion,
but solidity for households good at aggregate level



REAL crisis- Unemployment (ILO) 1980-2010



Source: IMF database



Labour markets scars persist

- > Sweden - 80's unsustainably low unemployment, inflationary pressure from labour market, 90's employment crisis, 00's crisis increase from high level now
- > Many countries – risk greater insecurity in labour markets, tenure (may raise equilibrium unemployment)
- > Austerity now gives long-term lower resource use in labour markets



General observations to conclude:

> Financial markets regulation must move on swiftly –

transparency reforms stabilise, do not deepen real economy crisis

> Crisis in real economy will be too long and painful -

educate labour force, raise public sector investment

> Don't forget income distribution!

BOLD POLITICIANS GREATLY NEEDED!